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Client Advisory

New Jersey Imposes Mandatory Retirement Savings Option on NJ Employers

The State recently enacted legislation - - “The Secure Choice Savings Program” - - which requires employers with 25 or more employees to participate in a retirement savings program administered by the State if they do not offer a qualified retirement plan.

The purpose of the new law is to encourage more people to save for retirement. Many businesses maintain retirement programs (such as 401k plans), but many do not. For those which do not, their employees very often are not inclined to set aside a portion of their after-tax paychecks for retirement on any sort of regular basis. The thought behind the new program is that people will find it easier to save through automatic payroll deductions, where “the pain of saving” is thought to be less.

For profit and not-for-profit businesses, alike, are subject to the new rules, provided that (i) at no time during the previous calendar year did they employ fewer than 25 employees in New Jersey, (ii) they have been in business for at least two years, and (iii) they do not offer a qualified retirement plan (such as a 401k, a 403b or a 457b plan).

To be counted as an employee in determining whether the business employs at least 25 employees, the individual must be at least 18 years of age, must live or be employed in New Jersey and his/her compensation must be subject to withholding.

Employees are to be automatically enrolled in the program unless they opt out. Additionally, employees of smaller-than-25 employers may participate, provided their employers consent to the withholding and remittance requirements.

Participants may choose the dollar amount they contribute to the fund. Those monies are to be deposited into a State-managed fund, which will invest the contributions. It is the intention of the Legislature that each employee’s account within the fund will qualify as an Individual Retirement Account, such that the contributions will be pre-tax dollars.

Employers are not required to make matching contributions of any sort.

If you have any questions, please contact [Gordon Moore](#), Chair of Archer’s [Tax Group](#), at (856) 354-3087 or gmoore@archerlaw.com or any other member of the Tax Group in Haddonfield, N.J. at (856) 795-2121 or Philadelphia, PA at (215) 963-3300.

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